

## Fair Housing\Equal Credit Opportunity

YES NO

The Examiner Checklist is intended to be a guide to help identify areas of possible disparate treatment or other fair housing related problems, including violations of laws, rules, or regulations. Any potential problems noted through use of this checklist should be explained in the examiner's workpapers and, if appropriate, in the Report of Examination.

Relevant provisions of HUD's implementing regulations are cited at the beginning of some sections of this checklist. These cites are not all inclusive and examiners should refer to the full regulations in determining possible violations. Examiners also should refer to Regulation C, Part 338, and the FHA.

### General

1. Is there (hypothetically) any area(s) of the institution's local community that could possibly be less favored (because of a prohibited basis) for lending and therefore, subject to redlining on the basis of the community's racial or ethnic characteristics? \_\_\_\_\_
2. Does the analysis of the volume and group distribution of accepted and rejected applications indicate any disparities? \_\_\_\_\_
3. Has the institution made a practice of not lending in particular areas? \_\_\_\_\_
4. What are the reason(s) or limitations for any such practice? (The guidance provided in the FHA complaint investigative procedures in this manual, Exhibits 1, 2 and 3 can be used to do redlining analysis.) \_\_\_\_\_
5. Is there any evidence of the existence of any practices that may discourage borrowers from applying to the creditor? \_\_\_\_\_

Possible indicators of illegal prescreening and redlining could include:

- Little or no lending activity in minority or racially mixed areas
  - Concentrations of credit in certain areas
  - Low levels of rejected applications
  - High levels of rejected applications
  - High levels of withdrawn applications
  - High levels of conditioned applications
6. If any disproportionate negative impact on a protected group of customers or potential customers exists, does it result from any of the following:
    - Applicant eligibility requirements? \_\_\_\_\_
    - Collateral eligibility requirements? \_\_\_\_\_
    - Appraisal standards? \_\_\_\_\_
    - Income ratios, stability, reliability, and/or source requirements? \_\_\_\_\_

- Loan-to-value requirements? \_\_\_\_\_
- Other factors determined by the examiner? \_\_\_\_\_

**Fair Housing\Equal Credit Opportunity (continued)****YES NO****Policies and Procedures** (24 C.F.R. 110.110, 110.115, 110.125, 100.130)

- |     |  |       |       |
|-----|--|-------|-------|
| 1.  | Does the institution have adequate written or unwritten policies and procedures with respect to Fair Housing Act?  | _____ | _____ |
| 2.  | Do the institution's actual practices differ from the articulated policy? If so, how?  | _____ | _____ |
| 3.  | Under what conditions does the institution make exceptions to established policies and procedures, including:  |       |       |
| a.  | Minimum and maximum mortgage loan amounts?   | _____ | _____ |
| b.  | Loan to value ratios?  | _____ | _____ |
| c.  | Mortgage payment-to-income and total debt-to-income ratios?  | _____ | _____ |
| d.  | Any other analytical ratios used by the institution?   | _____ | _____ |
| e.  | Requirements on nature and length of employment?   | _____ | _____ |
| f.  | Credit history?  | _____ | _____ |
| g.  | Property underwriting standards?   | _____ | _____ |
| h.  | Appraisal standards?   | _____ | _____ |
| 4.  | Is there any pattern of exceptions which would suggest disparate treatment?  | _____ | _____ |
| 5.  | What, if any, is the likely effect of these exceptions on protected groups?  | _____ | _____ |
| 6.  | Are the institution's loan officers and senior management knowledgeable of the FHA?  | _____ | _____ |
| 7.  | Does it appear that the institution has avoided use of any policies which are purposely designed to exclude members of protected classes?                                  | _____ | _____ |
| 8.  | Are the institution's articulated lending policies applied uniformly without regard to any prohibited basis?   | _____ | _____ |
| 9.  | Does the institution have policies, procedures, or practices designed to discourage or that have the effect of discouraging applications for credit on a prohibited basis? | _____ | _____ |
| 10. | Does the institution purchase loans from brokers or other institutions?  | _____ | _____ |
| 11. | Has there been any refusal to purchase or to purchase on the same terms as other such loans, or similarly, to sell, on a prohibited basis?                                 | _____ | _____ |
| 12. | If so, does the institution verify the other entities' compliance with FHA?  | _____ | _____ |
| 13. | Does the institution have controls for verifying compliance with FHA from broker referrals?  | _____ | _____ |

**Fair Housing\Equal Credit Opportunity (continued)****YES      NO**

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|-----|--|-------|-------|
| 14. | Are forms, applications, appraisals, financial statements, etc., neutral in request for information?   | _____ | _____ |
| 15. | Does the institution have application policies, procedures, or practices designed to discourage or have the effect of discouraging, applications for credit on a prohibited basis? | _____ | _____ |
| 16. | Are different loan collection procedures used based on any of the prohibited bases?  | _____ | _____ |

**Marketing**      (24 C.F.R 100.50(b)(4), 109.20, 109.25, 109.30, 100.75, 110.00)

- |    |   |       |       |
|----|---|-------|-------|
| 1. | Is the Equal Housing Lending poster displayed in a conspicuous place in the institution?  | _____ | _____ |
| 2. | Does the institution have a marketing program that includes advertising?  | _____ | _____ |
| 3. | Does the advertising include loan products related to housing?  | _____ | _____ |
| 4. | Is so, is the advertising strategy intended to reach all segments of the community?   | _____ | _____ |
| 5. | Do the advertisements indicate a preference in any way for a particular segment of the community, for example, whites predominantly or only?  | _____ | _____ |
| 6. | If a preference does exist, is there other evidence (for example, HMDA data) that the intended segment of the community is responding to the advertisement while others who do not have access to the image are eliminated? | _____ | _____ |
| 7. | Is the Equal Housing Lender logo used in advertising of housing related loan products?  | _____ | _____ |
| 8. | Does any map or list presently used by the institution for marketing demarcate geographical areas on the basis of any of the following:   |       |       |
|    | • Racial, national, or ethnic composition   | _____ | _____ |
|    | • Age range of properties   | _____ | _____ |
|    | • Value range of properties   | _____ | _____ |
|    | • Loan or non-loan areas  | _____ | _____ |
|    | • High or low risk  | _____ | _____ |
|    | • Income level of residents   | _____ | _____ |
|    | • Rising or declining values  | _____ | _____ |

If so, determine the reasons why, and whether there are any fair housing implications.

**Fair Housing\Equal Credit Opportunity (continued)****YES NO****Loan Sampling** (Approved/Declined)

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|-----|--|-------|-------|
| 1.  | Do the loans reviewed indicate conformity with the financial institution's written and/or oral policies?   | _____ | _____ |
| 2.  | Is information available in the records (for example, loan file) consistent with and does it support the reasons for denial stated in adverse action notices?  | _____ | _____ |
| 3.  | When exceptions are made, are they for justified reasons?  | _____ | _____ |
| 4.  | Do reasons for declination support equitable treatment of protected classes of people?   | _____ | _____ |
| 5.  | Is there any evidence of institution employees assisting applicants? (that is, Are any applicants that do not meet the institution's underwriting standards assisted so that they can meet the standards?) | _____ | _____ |
| 6.  | If so, is assistance afforded equally to all applicants?   | _____ | _____ |
| 7.  | Were any loans identified which support a violation of the anti-discrimination provisions of the FHA or its implementing regulations?  | _____ | _____ |
| 8.  | Are the lending criteria for portfolio loans versus investor loans different?  | _____ | _____ |
| 9.  | If there are differences, are they reasonable?   | _____ | _____ |
| 10. | Would the differences have a severe impact on any one of the protected categories?   | _____ | _____ |

**Home Mortgage Disclosure Act Data**

- |    |   |       |       |
|----|---|-------|-------|
| 1. | Are the institution's reported HMDA data accurate?  | _____ | _____ |
|    | If not, integrate necessary adjustment into your analysis.  |       |       |
| 2. | Does an analysis of HMDA information (if available) reveal a reasonable distribution of the institution's mortgage lending activity?  | _____ | _____ |
| 3. | Has the institution disproportionately denied female or minority applicants?  | _____ | _____ |
| 4. | Are the institution's denial rates for female and minority applicants consistent with the denial rates in the MSA (use HMDA Aggregate Reports)?   | _____ | _____ |
| 5. | Does the institution perform its own analysis of HMDA Data?   | _____ | _____ |
| 6. | If the analysis includes geo-analysis, what were the results?   | _____ | _____ |
| 7. | Is the institution familiar with the demographics of the minority census tracts in its community (for example, Does the institution know which census tracts are minority census tracts)? | _____ | _____ |
| 8. | Are all areas of the institution's community, including minority census tracts, monitored for institution activities?   | _____ | _____ |

**Fair Housing\Equal Credit Opportunity (continued)****YES      NO**

9. Does the penetration of the institution's community, particularly minority census tracts, appear to be reasonable?

\_\_\_\_\_

**Appraisals**      (24 C.F.R. 110.110, 100.115, 100.135)

1. Is there an appraisal fee?

\_\_\_\_\_

If yes, how much?

2. When would appraisal fees be waived or refunded?

3. Under what conditions is an appraisal ordered?

4. When would the appraisal not be ordered?

5. Is appraisal done by the institution's personnel or by an outside fee appraiser?

6. What are the qualifications of the appraiser?

7. Do appraisals of 1-4 family residences use comparables or other justifications for establishing value?

\_\_\_\_\_

What are the criteria applied in the use of comparables?

8. Are comparable properties selected on a reasonable basis and justified appropriately?

\_\_\_\_\_

9. Have internal, as well as external, real estate appraisers been instructed that appraisals are not to be based on considerations relating to racial or ethnic composition of neighborhoods?

\_\_\_\_\_

10. Is there any evidence of a possible pattern of "underappraisals" for protected classes?

\_\_\_\_\_

11. Certain criteria in appraisal policies are occasionally used by financial institutions, or agents acting on their behalf, in an arbitrary fashion to disqualify applicants. Review appraisal forms to determine if the following criteria are used to accurately reflect the economic viability of real estate:

- a. Age of property as opposed to remaining useful economic life (watch for arbitrary age cut-off which adversely affects certain areas)?

\_\_\_\_\_

- b. Age of other properties in area?

\_\_\_\_\_

**Fair Housing\Equal Credit Opportunity (continued)****YES      NO**

- |    |   |       |       |
|----|---|-------|-------|
| c. | Economic level of residents in the area?  | _____ | _____ |
| d. | Pride of ownership?   | _____ | _____ |
| e. | Style and size of property (watch for minimum square foot restrictions which adversely affect certain areas)? | _____ | _____ |
| f. | Depreciation?   | _____ | _____ |
| g. | Any unexplained codes or ranking system?  | _____ | _____ |
| h. | Other?  | _____ | _____ |
12. Does any map or list presently used by appraisers for the institution demarcate geographical areas on the basis of any of the following: racial, national, or ethnic composition; age range of properties; value range of properties; loan or non-loan areas; high or low risk; income level of residents; and rising or declining values? \_\_\_\_\_
- If yes, determine the reasons why and whether there are any fair housing implications.
13. Does the institution (or agents on its behalf) avoid evaluations of property based on:
- |    |  |       |       |
|----|--|-------|-------|
| a. | Predominant nationality or race of neighborhood?               | _____ | _____ |
| b. | Changes in the racial or ethnic composition of a neighborhood? | _____ | _____ |
14. Are there any notations in the credit file indicating any additional factors outside the appraisal that affected the value of the property (for example, Is there any evidence that the institution adjusted the appraised value in determining loan-to-value ratios, etc.)? \_\_\_\_\_

**Fair Housing\Equal Credit Opportunity (continued)**

**YES      NO**

Outside Relationships (24 C.F.R. 100.50, 100.60, 100.70, 100.80, 100.90, 100.135)

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|----|--|-------|-------|
| 1. | Does the institution maintain ongoing relationships with builders, brokers, or appraisers who refer single-family home loan applicants to the institution? | _____ | _____ |
| 2. | If yes, obtain a list of contacts.   |       |       |
| 3. | If the lending area includes minorities, are minority realtors and other realtors serving predominantly minority areas contacted?                          | _____ | _____ |
| 4. | How often is contact made with brokers/real estate agents?   |       |       |
| 5. | How does the institution communicate changes in the laws and regulations to these people?  |       |       |
| 6. | By what means is compliance by brokers and agents verified?  |       |       |
| 7. | How are sales people in these organizations advised of the institution's requirements or terms?  |       |       |